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**HELIX NETWORK OF EDUCATIONAL CHOICE**

**D/B/A MENTORSHIP ACADEMY**

**BATON ROUGE, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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Postlethwaite  
& Netterville

A Professional Accounting Corporation

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**HELIX NETWORK OF EDUCATIONAL CHOICE**  
**D/B/A MENTORSHIP ACADEMY**  
**BATON ROUGE, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors for  
Helix Network of Educational Choices D/B/A Mentorship Academy  
Baton Rouge, Louisiana:

We have audited the accompanying statement of financial position of Mentorship Academy (a nonprofit organization) (the Academy) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows, for the year then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 21 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining schedules on pages 14 through 16, which are the responsibility of management, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Postlethwaite & Natterville*

Baton Rouge, Louisiana

January 10, 2013

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**d/b/a MENTORSHIP ACADEMY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2012**

**ASSETS**

**CURRENT ASSETS:**

Cash	\$ 324,415
Accounts Receivable:	
Federal Programs	180,148
State Programs	127,332
Other	43,566
Prepaid Expenses and other	72,524
Total current assets	<u>747,985</u>

**PROPERTY AND EQUIPMENT:**

Buildings and Leasehold Improvements	26,078
Furniture and Fixtures	327,952
Equipment and Software	314,818
Total Property and Equipment	<u>668,848</u>
Less Accumulated Depreciation	(231,922)
Net Property and Equipment	<u>436,926</u>
Total assets	<u><u>\$ 1,184,911</u></u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable and accrued expenses	\$ 487,735
Line of credit	242,739
Notes payable - short term portion	224,949
Total current liabilities	<u>955,423</u>

**LONG TERM LIABILITIES:**

Notes payable	<u>92,566</u>
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**NET ASSETS:**

Unrestricted	<u>136,922</u>
Total net assets	<u>136,922</u>
Total liabilities and net assets	<u><u>\$ 1,184,911</u></u>

The accompanying notes are an integral part of this financial statement.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**d/b/a MENTORSHIP ACADEMY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and support:</b>			
Minimum Foundation Program and local taxes	\$ 3,276,399	\$ -	\$ 3,276,399
Federal grants	792,184	-	792,184
Private grants and donations	18,544	-	18,544
Other revenue	30,961	-	30,961
Net assets released from restrictions	60,000	(60,000)	-
 Total revenues and support	 4,178,088	 (60,000)	 4,118,088
<b>Expenses:</b>			
Program services:			
Instructional and supporting programs	3,846,686	-	3,846,686
Management and general	381,767	-	381,767
 Total expenses	 4,228,453	 -	 4,228,453
 Change in net assets	 (50,365)	 (60,000)	 (110,365)
 <b><u>NET ASSETS AT BEGINNING OF THE YEAR</u></b>	 <u>187,287</u>	 <u>60,000</u>	 <u>247,287</u>
 <b><u>NET ASSETS AT END OF THE YEAR</u></b>	 <u>\$ 136,922</u>	 <u>\$ -</u>	 <u>\$ 136,922</u>

The accompanying notes are an integral part of this financial statement.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**d/b/a MENTORSHIP ACADEMY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2012**

	<b><u>Management and General</u></b>	<b><u>Program Services</u></b>	<b><u>Total</u></b>
<b>EXPENSES:</b>			
Advertising and Promotional	\$ 9,385	\$ 84,450	\$ 93,835
Depreciation	-	138,412	138,412
Employee Benefits	1,369	83,250	84,619
Food Service	-	302,371	302,371
Insurance	5,579	50,209	55,788
Interest Expense	14,052	-	14,052
Legal fees	10,615	-	10,615
Materials, Supplies, Books & Periodicals	10,574	95,166	105,740
Payroll Taxes	1,680	105,549	107,229
Postage and Telephone	5,274	47,465	52,739
Rent	74,562	671,058	745,620
Repairs and Maintenance	10,395	93,550	103,945
Salaries	26,847	1,258,940	1,285,787
Technical and Professional Services	200,577	368,525	569,102
Transportation	-	445,646	445,646
Travel	62	4,932	4,994
Utilities	10,796	97,163	107,959
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 381,767</u>	<u>\$ 3,846,686</u>	<u>\$ 4,228,453</u>

The accompanying notes are an integral part of this financial statement.



**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**d/b/a MENTORSHIP ACADEMY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (110,365)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	138,412
Decrease (increase) in:	
Federal program receivables	(37,695)
State program receivables	67,618
Other receivables	(42,980)
Prepaid expenses and other	(23,992)
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>213,466</u>
Net cash provided by operating activities	<u>204,464</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of furniture and equipment	<u>(227,936)</u>
Net cash used in investing activities	<u>(227,936)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from notes payable	124,400
Payments on notes payable	(106,885)
Line of credit (net)	<u>92,739</u>
Net cash provided by financing activities	<u>110,254</u>

Net increase in cash	86,782
Beginning cash balance	<u>237,633</u>
Ending cash balance	<u><u>\$ 324,415</u></u>

The accompanying notes are an integral part of this financial statement.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Mentorship Academy (the Academy) operates two independent secondary schools under two charters in East Baton Rouge Parish that currently expire on June 30, 2015. The high schools had combined enrollment of approximately 325 students for the 2011-2012 school year. Upon expiration, the charter will be renewed for successive periods of ten years, subject to the review by the East Baton Rouge Parish School System of the Academy's operations and compliance with requirements set forth in the charter agreement. The Academy is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Support**

The Academy receives grants from the private and public sectors. The public sector grants are for specific purposes and are passed through the Louisiana Department of Education. Additionally, the Academy receives Minimum Foundation Program (MFP) funding from East Baton Rouge Parish School System according to the per student funding formula set forth by the Department of Education and an apportionment of local taxes. Substantially all state grants and support are unrestricted as to use. A substantial portion of federal grants are expenditure driven and as such is classified as unrestricted in the Statement of Activities and Changes in Net Assets. The Academy also receives federal support for food service that is based on the number of meals served to students. As such, revenue is recognized as meals are served.

**Contributions**

The Academy accounts for contributions in accordance with the standards of the Financial Accounting Standards Board. In accordance with these standards, contributions received are recorded as increasing unrestricted, temporarily, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Academy had no permanently or temporarily restricted net assets at June 30, 2012.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash includes all cash accounts held at financial institutions and cash on hand. At certain times throughout the year, the balances in the cash accounts may have exceeded the amount insured by the Federal Deposit Insurance Corporation. Management, however, believes the credit risk associated with these deposits is minimal.

**Accounts Receivable**

No amounts for allowance for uncollectable accounts have been established as the Academy expects to collect the balances in full.

**Functional Expenses**

The costs of providing various program and administrative services have been reported on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the various program and administrative services based on estimates made by management.

**Use of Estimates**

Management used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**Advertising**

The Academy expenses advertising costs as they are incurred.

**Property and Equipment**

The Academy has adopted the practice of capitalizing all expenditures for depreciable assets where the unit costs exceed \$500. Property and equipment is recorded at cost or at fair value for donated assets. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives ranging from 3 to 30 years. Maintenance and repairs are charged to expense when incurred. Leasehold improvements are amortized over 5 to 30 years.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Tax Exempt Status**

The Academy is a nonprofit organization exempt from the income taxes under provisions of the Internal Revenue Service Code Sections 501(c) (3) and the Louisiana Revised Statutes; therefore, no provision has been made for federal and state income taxes.

If the Academy would engage in activities unrelated to the purpose for which it was created, taxable income could result. The Academy had no material unrelated business income for the fiscal years ended June 30, 2012.

In Management's judgment, the Academy does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

With few exceptions, the statute of limitations for the examination of the Academy's income tax returns is generally three years from the due date of the tax returns including extensions. The tax years open for assessment are the years ending on or after June 30, 2010.

**2. ACCOUNTS RECEIVABLE**

Accounts Receivable -- Federal programs at June 30, 2012 represents amounts due from the Louisiana Department of Education for federal pass through grants under the Public Charter Schools Federal Grant, National School Lunch Program and amounts due from the Parish of East Baton Rouge for federal pass through grants under Title I Programs. Accounts Receivable -- State programs at June 30, 2012 represents amounts due from the East Baton Rouge Parish School Board for the Minimum Foundation Program and local tax apportionment.

**3. PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at June 30, 2012:

Buildings and Leasehold Improvements	\$ 26,078
Furniture & Fixtures	327,952
Equipment and software	<u>314,818</u>
Total Cost	\$ 668,848
Less: Accumulated Depreciation	<u>(231,922)</u>
Total Property and Equipment	<u>\$ 436,926</u>

Depreciation expense for the year ending June 30, 2012 was \$138,412.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**4. CONCENTRATION OF SUPPORT**

The Academy received approximately 80% of its support from the MFP and local taxes, 19% of its support from federal grants passed through the Louisiana Department of Education, and approximately 1% of its support from the private sector.

**5. OPERATING LEASE**

The Academy leases its facilities from a private entity under a sub-lease agreement dated February 2011. The lease has a term of 20 years. The lease required the Academy pay monthly payments of \$19,247 during the period in which renovations to the facility under lease were constructed, which included a portion of the year ended June 30, 2012. The lease expense for the year ending June 30, 2012 is \$633,922. The monthly payment was adjusted to \$57,750 after the completion of the construction and remained at that amount for most of fiscal year 2012. The monthly payment will increase for inflation each year based on the terms of the operating lease.

The future minimum lease payments, which include the re-determined rent payments as a result of construction costs are as follows.

June 30, 2013	\$ 708,759
2014	722,934
2015	737,392
2016	752,140
2017	767,183
Thereafter	<u>12,500,034</u>
	<u>\$ 16,188,442</u>

**6. FEDERAL GRANTS**

Federal grants received from the U.S. Department of Education under Public Charter Schools Federal Grant Program and Title I totaled \$526,785 for the year ended June 30, 2012. These grants were passed through the Louisiana Department of Education and East Baton Rouge Parish. Federal grants received from the US Department of Agriculture passed through the Louisiana Department of Education totaled \$265,399.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**7. NOTES PAYABLE and LINE OF CREDIT**

On July 23, 2010, the Academy entered into a loan agreement with Building Hope, a Charter School Facilities Fund. The loan amount was \$300,000, with an interest rate of 4.0%. On November 11, 2011, the Academy and Building Hope executed an agreement extending the due date to December 31, 2012 for \$200,000 of the principal balance at 4%. The outstanding balance of this loan at June 30, 2012 was \$200,000.

On June 29, 2012, the Academy entered into a vehicle loan agreement with a financial institution. The loan amount was \$28,000 with an interest rate of 5.0% and is collateralized by the vehicle purchased. This note is due on July 1, 2015. The outstanding balance of this loan at June 30, 2012 was \$28,000.

On August 1, 2011, the Academy entered into a loan agreement with a creditor for the purpose of funding improvements to the kitchen. The loan amount was \$96,400 with an annual interest rate of 12.41% and is uncollateralized. Payments of \$2,142 are due each month maturing November 30, 2016. The outstanding balance of this loan at June 30, 2012 was \$89,515.

The notes payable are scheduled to mature as follows:

<u>Years Ending</u> <u>June 30<sup>th</sup></u>	
2013	\$ 224,949
2014	26,956
2015	29,753
2016	23,454
2017	12,403
	<u>\$ 317,515</u>

On June 9, 2011, the Academy entered into a line of credit with a financial institution. The Academy was eligible to draw up to \$250,000 on the line of credit. The line of credit included interest variable with the lender's prime rate plus 2.050 percentage points. On May 21, 2012, the Academy and the financial institution executed an agreement extending the maturity date to June 30, 2013. The agreement increased the available line to \$350,000 and decreased the variable interest rate to the lender's prime rate plus 1.9 percentage points. The Academy's interest rate for the line of credit is 5.15% at June 30, 2012. The balance at June 30, 2012 is \$242,739, and is included in current liabilities in the statement of financial position. The line of credit is secured by all deposits the Academy has on hold at the financial institution.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**8. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from donor restrictions for incurring program related expenses satisfying the restricted purposes were as follows for the year ended June 30, 2012.

British Petroleum Grant	\$ 50,000
Rotary Club	<u>10,000</u>
Total temporarily restricted net assets released from restrictions	<u>\$ 60,000</u>

**9. RETIREMENT PLAN**

The Academy sponsors an Internal Revenue Code Section 403(b) Plan which covers substantially all employees of the Academy immediately upon employment. Employees may contribute up to the lesser of \$17,000 or 100% of includable compensation. The Academy contributes up to 3% of each participant's compensation. Total employer contributions to the plan were approximately \$3,270 for the year ended June 30, 2012.

**10. CONTINGENT LIABILITIES**

The Academy may from time-to-time be subject to claims and liabilities in the normal course of business. A general liability policy has been purchased to cover the costs of such claims. No such claims are outstanding as of June 30, 2012.

In the normal course of operations, the Academy receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under the terms of the grants.

**11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 10, 2013, and determined that no other events would require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**SUPPLEMENTAL INFORMATION**



**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**d/b/a MENTORSHIP ACADEMY**  
**COMBINING SCHEDULE OF FINANCIAL POSITION**  
**JUNE 30, 2012**  
**(UNAUDITED)**

**ASSETS**

	Academy of Digital Arts	Academy of Math and Science	Helix Food Service	Combined
<b><u>CURRENT ASSETS:</u></b>				
Cash	\$ 108,905	\$ 173,777	\$ 41,733	\$ 324,415
Accounts Receivable:				
Federal Programs	85,622	82,545	11,981	180,148
State Programs	97,772	29,560	-	127,332
Other	10,807	8,793	23,966	43,566
Prepaid Expenses	40,079	32,445	-	72,524
 Total current assets	 343,185	 327,120	 77,680	 747,985
 <b><u>PROPERTY AND EQUIPMENT:</u></b>				
Buildings and Leasehold Improvements	13,039	13,039	-	26,078
Furniture and Fixtures	163,976	163,976	-	327,952
Equipment and software	157,409	157,409	-	314,818
 Total Property and Equipment	 334,424	 334,424	 -	 668,848
Less Accumulated Depreciation	(115,961)	(115,961)	-	(231,922)
 Net Property and Equipment	 218,463	 218,463	 -	 436,926
 Total assets	 \$ 561,648	 \$ 545,583	 \$ 77,680	 \$1,184,911

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES:</u></b>				
Accounts payable and accrued expenses	\$ 230,130	\$ 179,925	\$ 77,680	\$ 487,735
Line of credit	121,370	121,369	-	242,739
Short-term portion of loan	112,475	112,474	-	224,949
 Total current liabilities	 463,975	 413,768	 77,680	 955,423
 <b><u>LONG TERM LIABILITIES:</u></b>				
Notes payable	46,283	46,283	-	92,566
 <b><u>NET ASSETS:</u></b>				
Unrestricted	51,390	85,532	-	136,922
Temporarily Restricted	-	-	-	-
 Total net assets	 51,390	 85,532	 -	 136,922
 Total liabilities and net assets	 \$ 561,648	 \$ 545,583	 \$ 77,680	 \$1,184,911

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**d/b/a MENTORSHIP ACADEMY**  
**COMBINING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2012**  
**(UNAUDITED)**

	<b>Unrestricted</b>			
	<b>Academy of Digital Arts</b>	<b>Academy of Math and Science</b>	<b>Helix Food Service</b>	<b>Combined</b>
<b>Revenues and support:</b>				
Minimum Foundation Program and local taxes	\$ 1,835,985	\$ 1,440,414	\$ -	\$ 3,276,399
Federal	329,768	321,906	140,510	792,184
Private grants and donations	10,294	8,250	-	18,544
Other revenue	11,218	9,093	10,650	30,961
Net assets released from restrictions	30,000	30,000	-	60,000
 Total revenues and other support	 2,217,265	 1,809,663	 151,160	 4,178,088
<b>Expenses:</b>				
Program services:				
Instructional and support programs	2,069,375	1,639,799	137,512	3,846,686
Management and general	205,376	162,743	13,648	381,767
 Total expenses	 2,274,751	 1,802,542	 151,160	 4,228,453
 Change in net assets	 (57,486)	 7,121	 -	 (50,365)
 <b><u>NET ASSETS AT BEGINNING OF THE YEAR</u></b>	 <u>108,876</u>	 <u>78,411</u>	 <u>-</u>	 <u>187,287</u>
<b><u>NET ASSETS AT END OF THE YEAR</u></b>	<b><u>\$ 51,390</u></b>	<b><u>\$ 85,532</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 136,922</u></b>

Temporarily Restricted				Total			
Academy of Digital Arts	Academy of Math and Science	Helix Food Service	Combined	Academy of Digital Arts	Academy of Math and Science	Helix Food Service	Combined
\$ -	\$ -	\$ -	\$ -	\$ 1,835,985	\$ 1,440,414	\$ -	\$ 3,276,399
-	-	-	-	329,768	321,906	140,510	792,184
-	-	-	-	10,294	8,250	-	18,544
-	-	-	-	11,218	9,093	10,650	30,961
(30,000)	(30,000)	-	(60,000)	-	-	-	-
(30,000)	(30,000)	-	(60,000)	2,187,265	1,779,663	151,160	4,118,088
-	-	-	-	2,069,375	1,639,799	137,512	3,846,686
-	-	-	-	205,376	162,743	13,648	381,767
-	-	-	-	2,274,751	1,802,542	151,160	4,228,453
(30,000)	(30,000)	-	(60,000)	(87,486)	(22,879)	-	(110,365)
30,000	30,000	-	60,000	138,876	108,411	-	247,287
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,390</u>	<u>\$ 85,532</u>	<u>\$ -</u>	<u>\$ 136,922</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors for  
Helix Network of Educational Choices D/B/A Mentorship Academy  
Baton Rouge, Louisiana:

We have audited the financial statements of Mentorship Academy (a nonprofit organization) (the Academy) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Mentorship Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mentorship Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mentorship Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite + Netterville*

Baton Rouge, Louisiana  
January 10, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors for  
Helix Network of Educational Choices D/B/A Mentorship Academy  
Baton Rouge, Louisiana

**Compliance**

We have audited Mentorship Academy's (a nonprofit organization) (the Academy) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Mentorship Academy's major federal program for the year ended June 30, 2012. Mentorship Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mentorship Academy's management. Our responsibility is to express an opinion on Mentorship Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mentorship Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Mentorship Academy's compliance with those requirements.

In our opinion, Mentorship Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2.

**Internal Control Over Compliance**

Management of Mentorship Academy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mentorship Academy's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mentorship Academy's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Mentorship Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Mentorship Academy's response and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Mentorship Academy's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Mentorship Academy's compliance but not to provide an opinion on the effectiveness of Mentorship Academy's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mentorship Academy's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Natterville*

Baton Rouge, Louisiana  
January 10, 2013

**Helix Network of Educational Choice d/b/a Mentorship Academy**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant #	Amount Expended
<b>United States Department of Agriculture</b>			
<i>Passed through the Louisiana Department of Education</i>			
National School Lunch Program	10.555		\$ 265,399
Total United States Department of Agriculture			<u>265,399</u>
<b>United States Department of Education</b>			
<i>Passed through the East Baton Rouge Parish School Board</i>			
Title I Grants to Local Educational Agencies	84.010		89,752
<i>Passed through the Louisiana Department of Education</i>			
Charter Schools	84.282	28-10-CH-HS	211,971
Charter Schools	84.282	28-10-CH-HT	<u>225,062</u>
Total United States Department of Education			<u>526,785</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 792,184</u>

See accompanying notes to this schedule.



**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mentorship Academy and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued: *Unqualified*

**Internal Control over Financial Reporting:**

- Material weakness (es) identified? \_\_\_\_\_ yes        x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes        x   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes        x   no

*Federal Awards*

**Internal control over major programs:**

- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes        x   none reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

  x   yes      \_\_\_\_\_ no

Identification of major programs:

CFDA Numbers  
84.282

Name of Federal Program or Cluster  
Charter Schools

The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.

The Mentorship Academy was not determined to be a low-risk auditee.

**B. Findings – Financial Statement Audit**

None

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**C. Findings and Questioned Costs – Major Federal Award Programs**

**2012-1 Procurement Suspension and Debarment**

**Department of Education**

**84.282 Charter Schools**

*Criteria:* With respect to federal grant programs, non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Non-federal entities are responsible for verifying that awards to contractors and sub-recipients have not been disbarred from receiving such contracts and grants and for requiring that the contractor or sub-recipient to certify as to no suspension or debarment.

*Condition:* There was no documentation supporting that Mentorship verified that the contractor, and principals of the contractor, procured to provide administrative and accounting services, has not been suspended or disbarred from receiving such contracts. Also, the required certification that the contractor was not suspended or debarred was not included in the contract.

*Cause:* The contract was executed prior to the grant approval.

*Effect:* Proper suspension and debarment procedures are not being followed in accordance with requirements set by the program.

*Questioned Costs:* \$0

*Recommendation:* Mentorship should develop supervisory procedures to ensure that all required suspension and debarment procedures are being followed for contracts whose costs are charged to federal grants.

*View of Responsible  
Official and Planned  
Corrective Action:*

Proper procurement procedures will be followed with respect to costs associated with federal grants.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**2012-2 Procurement Suspension and Debarment**

**Department of Education**

**84.282 Charter Schools**

*Criteria:* Institutions of higher education, hospitals, and other non-profit organizations shall use procurement procedures that conform to applicable federal law and regulations and standards identified in OMB Circular A-110 (A-110). All non-federal entities should follow federal laws and implementing regulations applicable to procurement as noted in federal agency implementation of A-110.

*Condition:* There was no documentation supporting that Mentorship's procurement of administrative and accounting services were conducted in a manner to provide, to the maximum extent practical, open and free competition, or its consideration of any organizational conflicts of interest.

*Cause:* The contract was executed prior to the grant approval.

*Effect:* Costs were charged to a federal grant that may have been higher than necessary had the services been procured according to A-110.

*Questioned Costs:* *Unknown*

*Recommendation:* Mentorship should develop supervisory procedures to ensure that all required procurement procedures have been followed when contract costs are charged to federal programs.

*View of Responsible  
Official and Planned  
Corrective Action:*

Proper procurement procedures will be followed with respect to costs associated with federal grants.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**Findings – Financial Statement Audit**

2011-1 – Instructional Staff:

Condition: Teachers certified by the state board made up less than 75% of the total instructional staff employed by the Academy.

Recommendation: The School should take steps to ensure that the appropriate level of instructional staff are certified.

Status: Resolved.

**Findings and Questioned Costs – Major Federal Award Programs**

None